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SUBJECT: LESOTHO OCTOBER ECONOMIC REPORT: BRIBERY AND RICHES IN THE
SNOWY MOUNTAINS

REF: MASERU 335

11. SUMMARY:

- Italian firm fined in bribery case;
- Ombudsman Raps Finance Secretary;
- Ski Resort Opened in Lesotho Mountains;
- 640 Carat Find at Letseng Diamond Mine.

ITALIAN FIRM FINED IN BRIBERY CASE

11. The High Court of Lesotho fined Italian company Impregilo 15 million Maloti (1.9 million USD) for attempting to circumvent justice in a bribery case involving the former Chief Executive of the Lesotho Highlands Development Authority (LHDA). Impregilo's Counsel, Attorney Danie Dorfliny, plead guilty to the charge on September 4, admitting that the company had failed to disclose the full facts of Impregilo's activities to Lesotho's prosecuting authorities.

12. Impregilo is one of eight foreign construction companies (including British, Canadian and South African firms) accused of bribing the former Chief Executive Officer of the LHDA, Masupha Sole, to influence the award of construction contracts for a dam at Ha Katse, the first of several dams that comprise Lesotho's massive highlands project to export water to South Africa. According to a South African intermediary who is now a state witness, Impregilo instructed him to pay a total of 2 million Maloti (252,000 USD) to Sole between October 1991 and September 11992. Sole, who is currently serving a fifteen year jail sentence, subsequently supplied an Impregilo official with copies of competing tender documents.

OMBUDSMAN RAPS FINANCE SECRETARY

13. Lesotho's Ombudsman, Attorney Sekara Mafisa, has chastised the Principal Secretary for Finance, Dr. Moeketsi Majoro, for allowing the Ministry's tender board to illegally award a 600,000 Maloti (75,000 USD) contract to South African firm Victory Computer Services (VCS) for the provision of internet services. Three Lesotho-based internet companies complained to the Ombudsman in June that that VCS, which is not registered in Lesotho, was not qualified to compete for government contracts in Lesotho. The Ombudsman issued an order halting the tender process pending an investigation. Dr. Majoro ignored the order and awarded the contract to VCS.

14. Soon after winning the bid in May, the company was allowed to start the work. The GOL paid upfront the full contract

value, despite the fact that work will not be completed until April 2007. Stating that the Principal Secretary might have been misled by his staff, the Ombudsman recommended the transfer of the Tender Board Secretary to another ministry and ordered that the tender process be restarted to allow fair competition from local internet providers.

SKI RESORT OPENED IN LESOTHO MOUNTAINS

15. During Lesotho's highest annual snowfall in a decade, the Minister of Tourism and Environment, Lebohang Ntsinyi, inaugurated the country's first ski resort, Afri Ski Leisure Kingdom at Mahlasela, on Saturday August 12. Built at a cost of 40 million Maloti (over 5 million USD) by South African investor Wessel Bosman, the project has taken eight years to complete and relies on snow-making machines due to the unreliability of snowfall in the area. This year, however, the resort benefited from heavy snowfalls in late July and early August, attracting a large number of ski enthusiasts from throughout the region.

640 CARAT FIND AT LETSENG DIAMOND MINE

16. Letseng Diamond Mine, situated in the mountain district of Mokhotlong, has announced its largest find to date -- a 640 carat diamond discovered during the week of August 21. The diamond will be auctioned at an international diamond market in Antwerp. Renewed mining at Letseng, which produces infrequent but large, high quality stones, restarted in 2004 after its closure in 1982. The mine was recently sold to Gem Diamond Mining of Africa by South Africa's Black Empowerment company, Matotzi Resources. The GOL increased its shareholding from 24 to 30 percent (reftel).

MURPHY